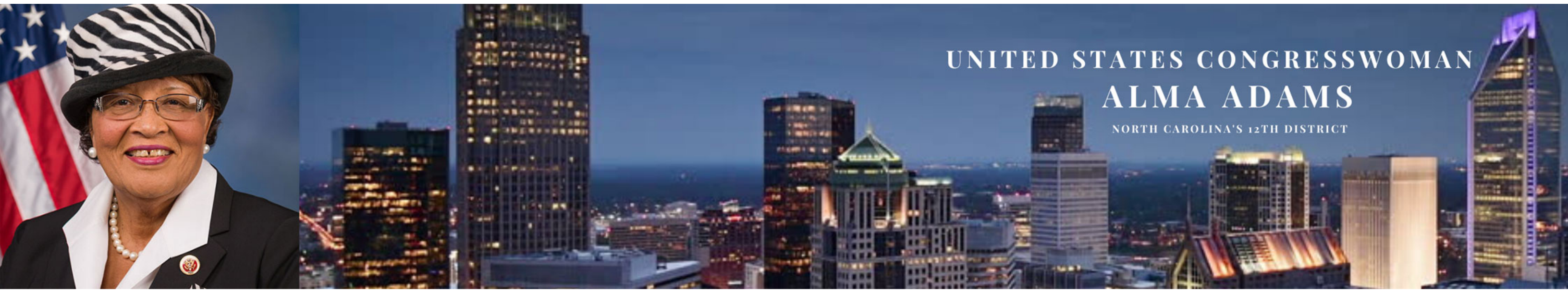

Paycheck Protection Program and Health Care Enhancement Act

Background and Need

With the leadership of the House Small Business Committee, the Paycheck Protection Program (PPP) was established in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) that Congress passed into law on March 27, 2020 to provide up to $10 million dollars to small businesses to cover payroll, rent, utility, and other costs. The CARES Act provides that these loans would be forgiven if the business maintains employment and compensation levels. The initial $349 billion of funds for PPP was exhausted last Thursday, April 16, 2020. The Paycheck Protection Program and Health Care Enhancement Act provides an additional $310 billion to the PPP.

The House Financial Services Committee, in coordination with the House Small Business Committee, has pushed the Administration to ensure that the program is working as intended and that all community financial institutions are able to participate and provide PPP loans to small businesses in their communities.[1] These community lenders, including community banks, credit unions, minority depository institutions (MDIs), Community Development Financial Institutions (CDFIs), microlenders, and certified development companies (CDCs) have been a primary conduit for loans to a wide range of small businesses, including minority-owned business, in their communities.

This is why House Democrats ensured the Paycheck Protection Program and Health Care Enhancement Act includes a $60 billion set aside for these community financial institutions to participate as Paycheck Protection Program (PPP) lenders. In addition to the legislation, the Treasury Department agreed, at the request of Democrats, to issue updated guidance to encourage greater CDFI participation, including by eliminating a $50 million loan volume threshold that prevented most nonbank CDFIs from participating.

Increasing community lender participation in the PPP through these reforms are critical since these lenders have proven to be the foundation on which many small businesses were built. For example, CDFIs have an extraordinary track record in lending and investing in underserved markets, which often include minority businesses and areas of high poverty and unemployment. In fact, 85% of CDFI loans and investments went towards their target markets and are therefore well positioned to similarly assist the most vulnerable in this pandemic. In FY 2019, CDFI program awardees made over 772,000 loans or investments totaling more than $21.5 billion. The average size of each loan or investment was under $28,000.[2] In addition, according to the Federal Deposit Insurance Corporation (FDIC), when compared to non-MDIs, MDI banks "originate a greater share of SBA 7(a) loans to borrowers in LMI census tracts

---

[1] For example, *see* Committee Press Release, "During COVID-19 Crisis, Waters Calls on Treasury and SBA to Allow All Local, Community Financial Institutions to Participate in Program to Support Small Businesses," (Apr. 1, 2020), https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=406474; Committee Press Release, "Waters to Mnuchin and Carranza: Paycheck Protection Program Funds Must Not Be Used to Pay Private Equity or Other Funds," (Apr. 2, 2020), https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=406477; and Committee Press Release, "Waters and Velázquez Write to Megabank CEOs to Express Strong Concerns About Small Business Access to Paycheck Protection Program," (Apr. 10, 2020), https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=406496.

[2] Audit of the CDFI Fund's 2018 and 2019 financial statements by the Treasury Dept. Office of Inspector General.

and to borrowers in census tracts with higher shares of minority residents. Based on these comparisons, MDIs appear to be effective in serving LMI communities and minority households and communities with high concentrations of minority populations."[3]

Finally, community banks and credit unions also have a proven track record of being strong partners for small businesses in their communities. According to a Federal Reserve survey, small business borrowers are consistently more satisfied with small banks compared to large banks or online lenders.[4] Furthermore, according to one analysis of FDIC and NCUA data, credit unions and community banks with less than about $10 billion in assets provided more than half of the total small business loans made by depository institutions.[5] These community lenders will ensure the forgivable PPP loans reach the small businesses that desperately need help.

Summary of Improvements to the Paycheck Protection Program

The Paycheck Protection Program and Health Care Enhancement Act strengthens the PPP by prioritizing America's smallest businesses, including minority, women, veteran, and rural businesses by:

- Increasing the appropriation level for the Paycheck Protection Program from $349 billion to $670.335 billion;
  - This section adds $310 billion for loans and an additional $11.335 billion for administrative fees;

- Creating a set-aside for Insured Depository Institutions, Credit Unions, and Community Financial Institutions for the Paycheck Protection Program;

- Defining Community Financial Institutions as Community Development Financial Institutions (CDFIs), minority depository institutions (MDIs), certified development companies, microloan intermediaries, and State or Federal Credit Unions;

  - This section sets aside the following amounts for the Paycheck Protection Program to be made by the following institutions:

    - $30 billion for banks and credit unions, including minority depository institutions (MDIs), with more than $10 billion in assets but less than $50 billion in assets that are PPP lenders; and

    - $30 billion for banks and credit unions with less than $10 billion in assets, as well as all Community Development Financial Institutions (CDFIs), MDIs, certified development companies (CDCs), and microlenders that are PPP lenders.

  - This set-aside does not prohibit these community lenders to access additional PPP funds available to all lenders.

---

[3] https://www.fdic.gov/regulations/resources/minority/2019-mdi-study/full.pdf
[4] https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2019/sbcs-employer-firms-report.pdf
[5] https://ilsr.org/small-business-lending-by-size-of-institution-2014/